

**STATE OF CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
ARNOLD SCHWARZENEGGER, GOVERNOR**

**CALIFORNIA DEPARTMENT
OF ALCOHOL AND DRUG PROGRAMS**

**HIGHLIGHTS OF THE
GOVERNOR'S BUDGET
FISCAL YEAR 2004-05**

JANUARY 2004

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
GOVERNOR'S BUDGET
FISCAL YEAR 2004-05
-HIGHLIGHTS-

TOTAL BUDGET

The Department of Alcohol and Drug Programs' (ADP) proposed budget for FY 2004-05 is \$591.3 million. This represents a total increase of \$5.2 million (0.9%) as compared to the FY 2003-04 Budget Act Appropriation of \$586.1 million. Of the total \$591.3 million, \$553.6 million (93.6%) is for local governments and communities to provide treatment, recovery, and prevention services; and \$37.7 million (6.4%) is for State Support [Exhibit A].

POSITION SUMMARY

The proposed budget includes 314.5 positions. This represents a net decrease of 42.2 positions (11.8% decrease) as compared to the FY 2003-04 authorized position base of 356.7 positions. ADP had a reduction of 44.2 positions, of which 31.2 positions were lost as a result of the FY 2003-04 Section 4.10 position reduction requirement and 13.0 positions were eliminated pursuant to Executive Order D-71-03 which required the abolishment of positions that were vacant on June 30, 2003. These position reductions had a widespread impact on most of the program and administrative support areas within ADP.

In addition to the HIPAA position lost through the Section 4.10 reductions, the proposed budget includes the reduction of an additional HIPAA position in FY 2004-05.

The proposed budget also includes the addition of 3.0 positions (two of which are limited term) to implement the performance-based requirements associated with the new Performance Partnership Grants for the federal Substance Abuse Prevention and Treatment Block Grant.

GENERAL FUND TOTAL

ADP's proposed budget includes \$117.8 million (19.9% of the total proposed budget) in State General Fund (SGF) for ADP programs [Exhibit B]. This represents a 2.1 percent increase in ADP's SGF as compared to the FY 2003-04 total SGF Appropriation of \$115.4 million primarily due to projected Drug Medi-Cal (DMC) increases. Of the \$117.8 million total SGF proposed budget, \$112.4 million (95.4%) is for Local Assistance and \$5.4 million (4.6%) is for State Support [Exhibit C]. The total SGF proposed budget includes \$6.6 million for Non-Drug Medical Regular Discretionary Programs, \$23.5 million for Non-Drug Medi-Cal Perinatal Programs. The SGF proposed budget also includes funding for DMC Regular and Perinatal Programs, the Drug Court Partnership Act, the Comprehensive Drug Court Implementation Act, and

the Health Insurance Portability and Accountability Act, which are discussed below in more detail.

GENERAL FUND LOCAL ASSISTANCE DISCRETIONARY

The proposed Local Assistance budget continues to include \$5.8 million in SGF for Non-Drug Medi-Cal Regular Discretionary Programs and \$23.5 million for Non-Drug Medi-Cal Perinatal Programs [Exhibit C].

SUBSTANCE ABUSE TREATMENT TRUST FUND (PROPOSITION 36)

The proposed budget includes \$120.2 million (20.3% of the total proposed budget) from the Substance Abuse Treatment Trust Fund (SATTf) in support of Proposition 36 activities [Exhibit B]. Of the total SATTf dollars, \$117.0 million (97.3%) is for Local Assistance and \$3.2 million (2.7%) is for State Support [Exhibit C].

DRUG COURT PARTNERSHIP PROGRAM

The proposed budget continues to include \$7.8 million for the Drug Court Partnership (DCP) Act of 2002. Of this amount, \$7.6 million is for Local Assistance and \$244,000 is for two positions in State Support [Exhibit C]. The focus of DCP activities continues to be exclusively on felons.

COMPREHENSIVE DRUG COURT IMPLEMENTATION PROGRAM

The proposed budget continues to include \$9.1 million for the Comprehensive Drug Court Implementation (CDCI) Act. Of this amount, \$8.9 million is for Local Assistance and the remaining balance of \$175,000 is for two positions in State Support [Exhibit C].

FEDERAL FUNDS

The proposed budget includes \$279.8 million in Federal Trust Funds, which represents 47.3 percent of ADP's total proposed budget [Exhibit B].

The proposed budget includes \$261.5 million for the Substance Abuse Prevention and Treatment (SAPT) Block Grant [Exhibit C]. Of the \$261.5 million, \$2 million will be transferred to the Department of Health Services in compliance with the requirements established for the Sale of Tobacco to Minor Control Account. The remaining \$259.5 million SAPT dollars consist of \$241.5 million for Local Assistance and \$18.0 million for State Support.

With respect to the Safe and Drug Free Schools and Communities (SDFSC) Grant, the proposed budget includes \$12.4 million, of which \$10.3 million is for Local Assistance and \$2.1 million is for State Support [Exhibit C].

The proposed budget continues to include the State Incentive Grant for \$4.0 million. In addition, the proposed budget includes \$3.5 million for the Screening, Brief Intervention, Referral, and Treatment (SBIRT) Grant awarded to ADP on September 30, 2003.

SAPT MAINTENANCE OF EFFORT REQUIREMENT

As a condition of receiving SAPT Block Grant funds, ADP must meet the Maintenance of Effort (MOE) grant requirement, which requires ADP to maintain non-federal expenditures for substance abuse prevention and treatment services at a specific level. The MOE requirement is derived from a mathematical computation in which the current year's non-federal expenditures cannot be less than the average of those expenditures for the two preceding state fiscal years.

ADP's proposed budget includes \$252.3 million in non-federal expenditures, which is sufficient to meet the MOE requirement of \$250.2 million for FY 2004-05.

DRUG MEDI-CAL PROGRAM

The Drug Medi-Cal (DMC) program provides medically necessary substance abuse treatment services for eligible Medi-Cal beneficiaries. Services include outpatient drug free, narcotic treatment program, day care rehabilitative, Naltrexone, and residential services for pregnant and parenting women.

Based upon the DMC Fall Estimates for FY 2004-05 developed by ADP's Office of Applied Research and Analysis, the Local Assistance proposed budget reflects \$57.8 million in DMC SGF (\$55.6 million Regular and \$2.2 million Perinatal) and \$51.8 million (\$49.6 million Regular and \$2.2 million Perinatal) in DMC federal financial participation (Reimbursement from Department of Health Services) [Exhibit C]. This represents an increase of \$3.1 million in SGF and an increase of \$2.3 million in federal financial participation as compared to the FY 2003-04 budget due to caseload, rate, and methodology changes. The DMC Fall Estimates assume the continuation of the FY 2002-03 approved DMC rate caps for FY 2004-05.

The proposed budget for State Support includes \$3.4 million in SGF and \$3.4 million in federal financial participation for DMC program support [Exhibit C].

INDIAN GAMING SPECIAL DISTRIBUTION FUND

The budget proposes the deletion of the \$3.0 million included in FY 2003-04 Budget Act Appropriation payable from the Indian Gaming Special Distribution Fund to implement a problem gambling prevention program. The budget proposes to repeal the related statute enacted in August of 2003.

FEDERAL MEDI-CAL ASSISTANCE PERCENTAGE

The Federal Medi-Cal Assistance Percentage (FMAP) is the percentage used to determine the federal share of the Medi-Cal Program.

As of April 2003, the FMAP was 54.35 percent. The FMAP changed to 52.95 percent from October 2003 through June 2004. As of July 2004, the FMAP changed to 50 percent.

WELFARE REFORM – CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

Substance abuse can limit or impair a CalWORKs participant's ability to make the transition from welfare to work, or retain employment over a long period of time. The proposed budget for the Department of Social Services (DSS) includes \$46.4 million SGF for the provision of treatment and recovery services to CalWORKs recipients for whom substance abuse is a barrier to employment. The CalWORKs SGF for substance abuse will continue to be specifically identified in DSS' county allocation.

SUBSTANCE ABUSE SERVICES FOR INDIAN HEALTH CLINICS

The proposed budget eliminates funding for the substance abuse services for Indian Health Clinics previously included in the Department of Social Services' budget. In turn, the Interagency Agreement with DSS to reimburse ADP for providing substance abuse funding to the Indian Health Clinics will be cancelled in FY 2004-05.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

This proposed budget includes \$1.8 million (\$0.8 million SGF and \$1 million Reimbursements) for HIPAA [Exhibit C]. The proposed budget also includes authority for three positions in support of HIPAA, representing a reduction of two positions as compared to the FY 2003-04 budget. One position was lost as part of FY 2003-04 Section 4.10 position reduction requirement, and one additional position is proposed to be reduced in FY 2004-05.

PERFORMANCE PARTNERSHIP GRANT (PPG)

The proposed budget includes the addition of three positions and \$260,000 to implement the new federal PPG requirements. Pursuant to federal law, the Substance Abuse Prevention and Treatment Block Grant will be subject to new PPG requirements. In order to comply with these new requirements, the State will be required to collect outcome data using a continuous quality-improvement framework.

SCREENING, BRIEF INTERVENTION, REFERRAL, AND TREATMENT (SBIRT) GRANT

The proposed budget includes \$3.5 million in federal expenditure authority for the SBIRT Grant. This grant was awarded to ADP on September 30, 2003, by the Substance Abuse and Mental Health Services Administration. The SBIRT Program will provide alcohol and other drug (AOD) screening, brief intervention, referral, and treatment and will extend the State's current continuum of care for AOD clients. The proposed budget includes \$3.4 million in Local Assistance, with the remaining dollars in State Support [Exhibit C].

SUBSTANCE ABUSE TREATMENT AND TESTING ACCOUNTABILITY PROGRAM

The proposed budget continues to include \$8.6 million in SAPT Block Grant funds for the Substance Abuse Treatment and Testing Accountability (SATTa) Program. The SATTa Program provides funding for drug testing for clients treated under the Substance Abuse and Crime Prevention Act of 2000 and can also be used for any other purpose consistent with federal SAPT Block Grant requirements.

WOMEN AND CHILDREN'S RESIDENTIAL TREATMENT SERVICES

Of the proposed funds for ADP's Perinatal Programs, \$6.4 million continues to be earmarked to fund existing residential perinatal treatment programs that started through federal Center for Substance Abuse Treatment grants which have since expired and currently are constituted as Women and Children's Residential Treatment Services.

CLIENTS SERVED

The proposed budget estimates that there will be 395,700 clients served in FY 2004-05. Of the total served, it is estimated that 68,200 will be Drug Medi-Cal (DMC) clients and 70,400 will be Substance Abuse and Crime Prevention Act (SACPA) clients. In FY 2003-04, it is estimated that there will be a total of 378,900 clients served, of which 64,100 will be DMC clients and 63,200 will be SACPA clients.

EXHIBIT A

Department of Alcohol and Drug Programs Governor's Budget Fiscal Year 2004-05

Budget By Category

(\$ In Millions)

**Total Governor's Budget
\$591.3**

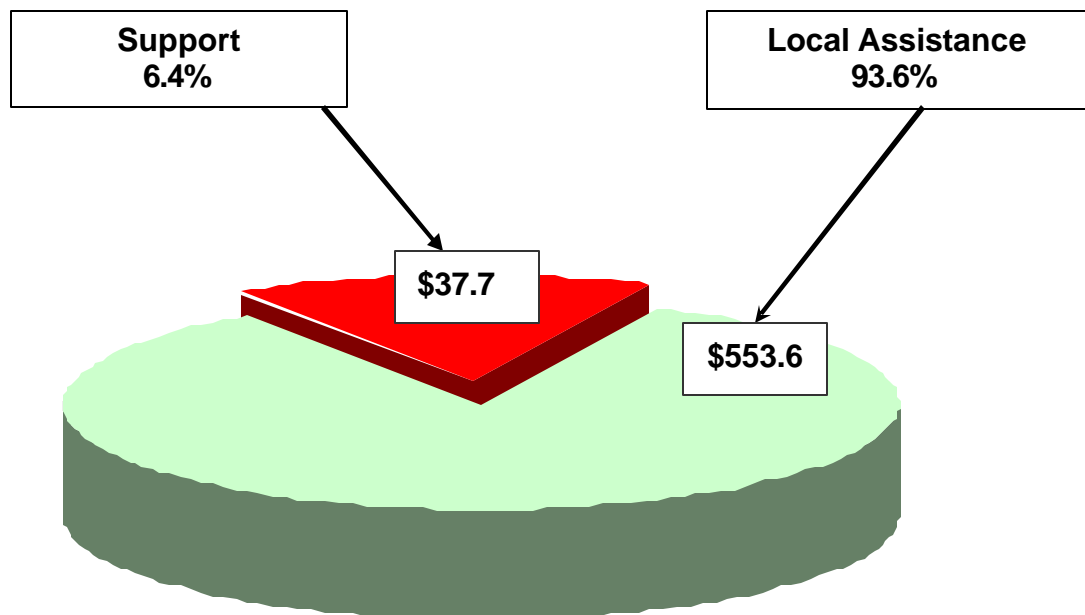
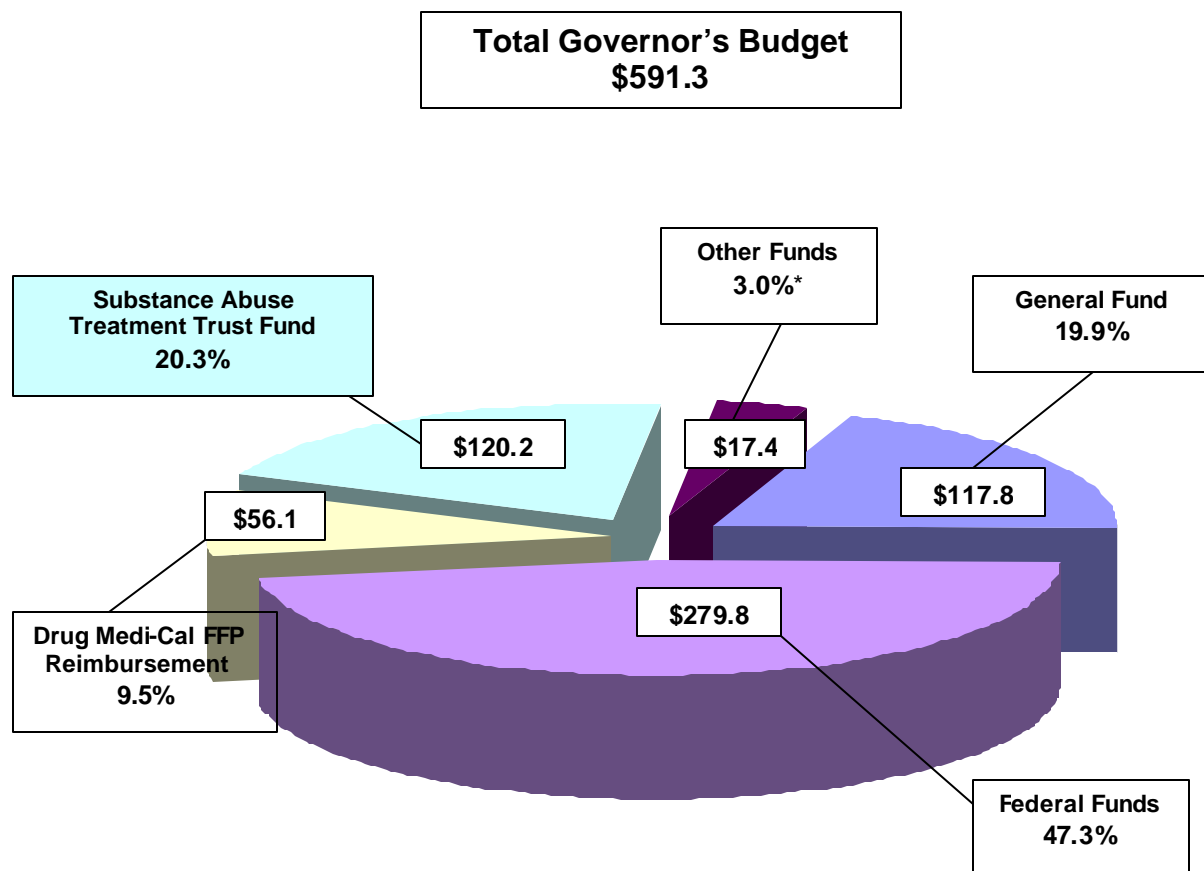


EXHIBIT B**Department of Alcohol and Drug Programs
Governor's Budget
Fiscal Year 2004-05****Budget By Fund Source**

(\$ In Millions)



* "OTHER FUNDS" INCLUDES: DRIVING-UNDER-THE-INFLUENCE LICENSING TRUST FUND, NARCOTIC TREATMENT PROGRAM LICENSING TRUST FUND, AUDIT REPAYMENT TRUST FUND, RESIDENT-RUN HOUSING REVOLVING FUND, THE DEPARTMENT OF CORRECTIONS REIMBURSEMENT CONTRACT, AND OTHER MISCELLANEOUS REIMBURSEMENT AUTHORITY.

EXHIBIT C

**Department of Alcohol and Drug Programs
Governor's Budget
FISCAL YEAR 2004-05**

(\$ IN THOUSANDS)

FUNDING SOURCE	SUPPORT	LOCAL ASSISTANCE	TOTAL Governor's Budget	TOTAL PERCENTAGE
General Fund	\$5,395	\$112,398	\$117,793	19.92%
Non-Drug Medi-Cal Regular	\$792	\$5,768	\$6,560	1.11%
Non-Drug Medi-Cal Perinatal	\$0	\$23,457	\$23,457	3.97%
Drug Medi-Cal Regular	\$3,162	\$55,579	\$58,741	9.93%
Drug Medi-Cal Perinatal	\$205	\$2,219	\$2,424	0.41%
Drug Medi-Cal HIPAA	\$817	\$0	\$817	0.14%
Drug Court Partnership Act	\$244	\$7,600	\$7,844	1.33%
Comprehensive Drug Court Implementation Act	\$175	\$8,875	\$9,050	1.53%
Parolee Services	\$0	\$8,900	\$8,900	1.50%
Substance Abuse Treatment Trust Fund (Prop 36)	\$3,209	\$117,023	\$120,232	20.33%
Driving-Under-the-Influence Program Licensing Trust Fund	\$1,634	\$0	\$1,634	0.28%
Narcotic Treatment Program Licensing Trust Fund	\$1,135	\$0	\$1,135	0.19%
Indian Gaming Special Distribution Fund	\$0	\$0	\$0	0.00%
Audit Repayment Trust Fund	\$67	\$0	\$67	0.01%
Federal Trust Fund	\$21,076	\$258,734	\$279,810	47.32%
Substance Abuse Block Grant	\$20,050	\$241,462	\$261,512	44.23%
Sale of Tobacco to Minors Control Account	-\$2,000	\$0	-\$2,000	-0.34%
Safe and Drug Free School	\$2,047	\$10,329	\$12,376	2.09%
Uniform Data Systems	\$321	\$0	\$321	0.05%
State Data Infrastructure Grant	\$100	\$0	\$100	0.02%
State Incentive Grant	\$515	\$3,500	\$4,015	0.68%
SBIRT Grant	\$43	\$3,443	\$3,486	0.59%
Resident Run Housing Revolving Fund	\$0	\$39	\$39	0.01%
Reimbursements	\$5,199	\$65,402	\$70,601	11.94%
Drug Medi-Cal Regular	\$3,162	\$49,588	\$52,750	8.92%
Drug Medi-Cal Perinatal	\$205	\$2,219	\$2,424	0.41%
Drug Medi-Cal HIPAA	\$947	\$0	\$947	0.16%
CDC: Parolee Services Network	\$442	\$10,971	\$11,413	1.93%
Other	\$443	\$2,624	\$3,067	0.52%
TOTALS	\$37,715	\$553,596	\$591,311	100.00%